

# Executive Summary Report

Appraisal Date 1/1/02 - 2003 Assessment Roll

Specialty Name: Health Care Specialists

Hospitals (415), Nursing Homes (174), and Retirement Facilities (153)

## Sales – Improved Analysis Summary:

Number of Sales: 10

Range of Sales Dates: 12/98– 3/02

## Sales – Ratio Study Summary:

	Average Total	Average Sale Price	Ratio	COV
2001 Value	\$5,271,200	\$5,476,200	96.3%	10.56%
2002 Value	\$5,435,800	\$5,476,200	99.3%	6.05%
Change	\$ 167,600		+ 3.0%	-4.51%
%Change	+3.0%		.+ 3.11%	- 4.27%

\*COV is a measure of uniformity, the lower the number the better the uniformity. The negative figures of – 4.51% and – 4.27% actually represent an improvement.

Sales used in Analysis: All improved sales, which were verified as good, and have not been remodeled since purchases were included in the analysis.

## Total Population - Parcel Summary Data:

	Land	Imps	Total
2001 Value	\$ 500,159,000	\$ 2,048,088,588	\$ 2,548,247,588
2002 Value	\$ 571,461,400	\$ 2,052,218,000	\$ 2,640,051,200
Percent Change	+14.26%	+0.20%	+3.60%

Number of Parcels in the Population: 427

## Conclusion and Recommendation:

Selecting the values for the 2002 Assessment Roll is recommended since the values recommended in this report improve uniformity, assessment level and equity.

## **Analysis Process**

### ***Specialty and Responsible Appraiser***

Specialty Area – 415 Hospitals, 174 Nursing Homes, and 153 Retirement Facilities

The following Appraiser did the valuation for this specialty.

Name: Sheri Shaub – Job Title: Commercial Appraiser II

### ***Highest and Best Use Analysis***





**As if vacant:** Market analysis of the area, together with current zoning and current and anticipated use patterns, indicate the highest and best use of the land.

**As if improved:** Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000.00 is assigned to the improvements.

### ***Special Assumptions, Departures and Limiting Conditions***

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

-  Sales from 1/97 to 2/01 (at minimum) were considered in all analysis.
-  No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of four years of market information without time adjustments averaged any net changes over that time period.
-  This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.
-  The commercial appraisers have carefully considered the impact of the national and regional economy on King County's commercial real estate market. The terrorist events of September 11, 2001 as well as changes in the software, high tech and aircraft manufacturing businesses have been considered. While sales activity over several years has been analyzed, primary consideration was given to current economic conditions including vacancy and lease rates. In some areas, this may have an impact on sales price to assessed value relationships including coefficients of variation and ratios. In all cases, properties were valued uniformly with similar properties.

## ***Identification of the Area***

**Name:** Hospitals, Nursing Homes, and Retirement Facilities

**Boundaries:** All Hospitals, Nursing Homes, and Retirement Facilities in King County

### **Maps:**

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

### **Area Description:**

Hospitals, nursing homes, and retirement facilities are dispersed throughout the county. With constant improvements in new medical technology, and the aging of the baby boomers, the proportion of the population over 65 years of age will continue to increase. The statewide population in general is expected to increase 15% over the next ten years. The older population (75+) is expected to grow in excess of 36%. These demographics can be expected to increase demand for nursing homes, retirement homes and hospitals statewide.

Nursing homes and hospitals are regulated by the Certificate-Of-Need Program (CON). The CON program is mandated by the federal government and administered by the individual states. Since 1971, Washington has required anyone wanting to build new hospitals or acquire existing ones first to gain state permission in the form of a certificate of need. The State of Washington capped new supply in 1990 and new facilities can only be built by retiring old facilities and transferring the CON to a new location. The State projects that no new CONs will be issued until the year 2007. Washington has estimated bed need at 45 per 1,000 population age of 65 or older. Health care properties are required to go through long procedures in demonstrating to state officials the need for additional services in the area. Hospitals and nursing homes are rarely built on speculation basis. Building codes for these facilities are very stringent.

Patient safety and provider practices are key issues being addressed at this time for hospitals and senior housing. The Food and Drug Administration (FDA) convened a group in April 1999 out of concern over entrapment injuries and deaths in all health care settings. They drafted a paper, which seeks to establish guidelines for hospitals, and nursing homes. Random inspections have been started. Hospitals and nursing homes are also facing shortages of nurses and nursing assistants. In this state the use of temporary staff has increased 50% because of staffing shortage. According to the Washington Health Care Association nearly three out of 10 nursing facilities are turning away patients because of staff shortages.

### **Hospitals (415)**

Hospitals are considered a single use (special use) property. There are acute care hospitals, psychiatric hospitals and substance abuse/chemical dependency treatment centers. There are few typical hospitals. They differ in size, services and specialties, ownership, age, location, market conditions, competition, reputation, staff and degree of obsolescence. King County is known for its hospitals. They have many travelers that come to King County for specialized treatments, such as

heart surgery, diabetic research, cancer treatment and etc. Patients come from Russia, Thailand, Malaysia and elsewhere.

There are approximately twenty acute care hospitals in King County and eight psychiatric/drug abuse treatment centers. Inpatient acute care is usually provided by traditional hospitals. A range of healthcare providers, including outpatient clinics, drug rehabilitation centers and “surgicenters”, provide primary ambulatory care.

There is a financial crisis besetting hospitals across the state. They are starting to abandon some lines of business including obstetrics and closing smaller clinics, to get back in the black. Many hospitals are suffering financial hardships due to advances in technology, shortened length of patient hospital stay, government decreasing its Medicare and Medicaid reimbursement for low-income patients, and the increased managed care companies, which discount services to patients. Evidence is mounting that many physicians in the Puget Sound are turning away new Medicaid patients according to the Puget Sound Business Journal. The payments are not covering the services. The payments amount to half or less than what physicians normally charge. Medicare accounts on average for more than 35% of hospital revenue and pays only 94% of the costs to treat elderly in Washington hospitals.

Lack of qualified employees for health care positions in Washington is a big problem. The Washington State Hospital Association recently estimated that over the next 15 years, 50% of the current nursing staff will retire, while nursing school enrollment has declined by 5.5% annually.

Hospitals also face the challenge to renovate approximately every five years. Having the latest technology has taken millions to keep our state-of-the-art hospitals and labs in competition.

More than 200 not-for-profit hospitals have converted to profit status in the 1990's. Many not-for-profit hospitals were left with little choice but to merge with other not-for-profit or sell their assets to bigger for-profit hospitals. Approximately 1/2 of all hospitals in the US now belong to larger organizations or systems. There has been a great increase in mergers, acquisitions or consolidations.

In March 2001 the full House of Representatives unanimously approved a bill, HB 2191, that helps non-profit public health care institutions retain the exempt status of property leased and owned. A recent Department of Revenue tax ruling removed this status and made the properties taxable.

### **Nursing Homes (174)**

As the population ages they are increasingly leaving their family setting for nursing homes. Nursing facilities provide various levels of health care service on a 24-hour basis in addition to shelter, dietary, housekeeping, laundry, and social needs. Nursing facilities include intermediate, skilled, and subacute care. In some cases, nursing homes may be part of continuing care retirement communities (CCRCs). They are often referred to as convalescent hospitals.

Newer nursing homes have larger bed areas. They usually have two-bed rooms (semi-private) or one-bed rooms (private). Older homes are more likely to have rooms containing three or more beds.

There are several Alzheimer facilities being built. These facilities must provide qualified staff which are present at all times. Staff must prevent residents from wandering from the facility and the regulations also specify special physical building requirements, such as level slip-resistant floors. The facilities provide residents with services that help with daily living activities. These include food preparation, transportation, and assistance with bathing, laundry, medication and other personal-living requirements.

The State of Washington, Department of Social and Health Services (DSHS), has mandatory reporting by all skilled nursing homes. This report is called the "NURSING HOME COST REPORT" and is available in a public spreadsheet format on disk from DSHS. Some of the real estate leases data for the income survey was obtained from this public document.

As a result of the Balanced Budget Act of 1997 a new Medicare payment system was implemented beginning July 1, 1998. It replaced the cost-based skilled nursing facility reimbursement system with prospective payment system(PPS). Skilled nursing facilities, (SNF) receive payment for each day of care provided to a Medicare beneficiary. The per diem rate is based upon the average daily rate of providing all Medicare-covered SNF services in 1995. Since not all patients require the same amount of care, a case mix adjustment factor was included, permitting some flexibility in the payment method. Two out of three nursing home residents are on Medicare or Medicaid. There are more proposed budget cuts for the fall of 2002 for Medicaid nursing homes. The cuts are for non-direct costs including mortgage or lease payments

The nursing home industry in Washington comprises both for-profit and nonprofit homes. Approximately 200 of the 280 homes across the state are for-profit. Several national nursing home chains have declared bankruptcy recently. The reasons they cite are the reduction in Medicare and Medicaid payment, high staff turnover and the difficulty of finding workers.

Quality concerns have come to light in the Seattle area. The Bush administration has researched and rated long- term care facilities in six states as a pilot program. They measure such items like % of residents with bedsores, % of residents with moderate to severe pain, and % of residents that need more daily activities. Ratings can be found at [www.medicare.gov](http://www.medicare.gov). The aim of this program is to create standards consumers can use to compare nursing homes and to generate improvement in the industry through public scrutiny.

The State has also been imposing fines and halting admissions to several facilities in King County. The Department of Social and Health Services found homes failed to investigate and report significant medication errors, locking doors, and failing to provide personal privacy during care. The staff shortages resulted in resident harm, neglect , improper feeding and inadequate supervision A federal study has found 97% of nursing homes do not have enough staff to provide basic care for patients.

## **Retirement Facilities (153)**

The three most common types of seniors housing are congregate seniors housing (independent living), assisted living and continuing care retirement communities. In addition, some assisted living facilities have a special Alzheimer's section of the facility, and some assisted living facilities take early stage Alzheimer's patients. Although there are no universally accepted standard definitions, retirement homes can generally be characterized as follows:

### Congregate Seniors Housing (Independent Living):

Congregate seniors housing is multi-family housing designed for seniors who pay for some services (such as housekeeping, transportation, and meals) as part of the monthly fee or rental rate, but who require little, if any, assistance with the activities of daily living. They may have some home health care type services (such as eating, transferring from a bed or chair, and bathing) provided to them by in-house staff or an outside agency. Congregate seniors housing is not regulated by the federal government, and may or may not be licensed at the state level.

The current economic market has affected a new 16 story senior housing facility on Seattle's First Hill. The \$75 million project was scrapped due to a lack of interest from would-be residents. The apartments ranged from \$250,000 to \$650,000. The economic downturn was certainly a factor according to Lisa Keller, the executive director of The Perry project.

### Assisted Living:

Assisted living residences are designed for frail seniors who need significant assistance with the activities of daily living, but do not require continuous skilled nursing care. Assisted living units may be part of a congregate seniors housing residence, continuing care retirement community (CCRC), may be contained in a property that supports assisted living units and nursing beds, or may be in a freestanding assisted living residence. Assisted living is not regulated by the federal government, but is subject to more stringent state regulations than congregate seniors housing.

There was a boom in construction in the mid- 90's but it appears to have died down. It is estimated that new construction of free- standing assisted living is off by 65-75% according to Property Dynamics. It now takes up to 18 months to fill new facilities instead of 3 or 4 months, per the American Senior Housing Association.

### Continuing Care Retirement Community:

Continuing care retirement communities (CCRC) are senior living complexes that provide a continuum of care including housing, health care, and various supportive services. Health care (i.e. nursing) services may be provided for directly or through access to affiliated health care facilities. Fees are structured as either refundable (or partially refundable) entrance fee plus a monthly fee; as equity ownership (cooperative or condominium) plus a monthly fee; or as a rental program. CCRC is not regulated by the federal government, but are subject to state licensure and regulation in most states.

The most prevalent type of facility is one that provides both assisted and independent care. CCRC's are places where seniors can go while they are still independent and live among their peers, form new friendships and still go out and about in the community outside the campus.

### ***Physical Inspection Area:***

Half of the Retirement Facilities and half of the Nursing Homes were physically inspected this revalue year.

### ***Preliminary Ratio Analysis***

A Ratio Study was completed just prior to the application of the 2002 recommended values. This study benchmarks the current assessment level using 2001 posted values. The study was also repeated after the application of the 2002 recommended values. The results are included in the validation section of this report, showing an improvement in the COV from 10.56% to 6.05%.

## **Land Value**

### ***Land Sales, Analysis, Conclusion***

The respective geographic appraiser valued the land. A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

## **Improved Parcel Total Values**

### ***Sales comparison approach model description***

The model for sales comparison was based on five data sources from the Assessor's records; Land use code, net rentable area, effective year, condition and location. The principle of substitution is used in this approach. A search was made on data that most closely fit a subject property within each geographic area. All sales were verified, if possible, by calling either the purchaser or seller, inquiring in the field, or calling the real estate agent. Information concerning vacancy and market absorption rates, current and anticipated rents and if any business value traded in the sales price was collected.

It is fairly difficult to make direct sale comparisons as nursing homes and retirement home properties are designed to fit a particular location, market niche, level of care, and method of operation. These unique traits make substitution difficult. Sales typically require major adjustments that are based on subjective analysis due to lack of empirical comparable data. Senior housing facilities also rarely sell if operated successfully.

The scarcity of reliable sales data and the difficulty in relating sales to a meaningful unit of comparison for valuation makes the Direct Sales Comparison, at best, a "rough" gauge of value. They set the parameters or range. Sales are useful in providing background data and as a cross check on the other two approaches to value. The individual sales are included later in this report



### ***Cost approach model description***

In those areas where a cost approach was done the Marshall & Swift Commercial Estimator was used. Depreciation was also based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. While the service life of hospitals and senior housing may be 30 to 50 years of age, it is not uncommon to see 30-year-old facilities at the end of their useful life being renovated to compete in the market for patients. Marshall & Swift uses 35 years for class D average condition properties and 40 years for class C average condition properties. This approach is often used for special purpose facilities, like hospitals, when a lack of adequate market lease income or market sales data is available. The cost approach was used for new construction, hospitals and nursing home sections of retirement complexes.

### ***Cost calibration***

Each appraiser valuing by cost can individually calibrate Marshall-Swift valuations to specific buildings in our area by accessing the parcel computerized valuation model supplied by Marshall & Swift. This value is added to the market value of the land.

### ***Income capitalization approach model description***

The direct income capitalization approach was considered for the nursing homes using market rental/ lease rates paid for comparable nursing home facilities, which were leased by operators from property owners. Nursing home leases are usually long term (10-20 years) and net to the owner. The lessee pays all or nearly all expenses. After several discussions with lessors it was discovered the trend in nursing home leases is leaning toward rent based on sq. ft versus per bed basis. Rates were acquired from published sources, tenants, buyers and sellers. The Department of Social and Health Services provided a disk of leased rates. Surveys and sales collected expenses and vacancy rate data. Published sources, Commercial Mortgage Commitments, and limited sales in Washington and other western states determined the real estate capitalization rates.

The following table is a brief description of the income parameters used on nursing homes. Lease rates range from \$7.50 to \$17.00 based on effective age, size and quality. Vacancy and collection loss figures were 7%, expenses 10% and overall capitalization rate ranged from 9.75% to 10.00%. The rate tables are included at the end of this report.

<b>PROPERTY TYPE</b>	<b>TYPICAL RENT RANGE</b>	<b>OVERALL RENT RANGE</b>	<b>EXPENSE</b>	<b>OAR RANGE</b>
Convalescent Hospital,	\$7.00 to \$20.00	\$7.50 to \$17.00	10%	9.75% to 10%
Unfinished Basement, Semi-finished Basement	\$2.00 to \$4.00	\$2.70 to \$2.70	10%	9.75% to 10.00%
Finished Basement,	\$4.00 to \$7.00	\$4.50 to \$5.50	10%	9.75% to 10.00%
Storage Warehouse	\$4.00 to \$7.00	\$4.50 to \$5.50	10%	9.75% to 10.25%

The direct income capitalization approach was considered for retirement homes using market rental/lease rates paid for comparable studio, one bedroom, two bedroom, and three bedroom units with variation given to location. Lease rates and Gross Income Multipliers were acquired from published sources, mainly the Spring 2001 Dupre and Scott Apartment Advisors, Inc.

Studio base rates range from \$431 to \$879, one bedroom units from \$548 to \$1,278, two bedroom units from \$651 to \$1,402 and three bedroom units from \$803 to \$3,580. The gross income multiplier ranged from 5.9 to 8.9, with adjustments for location, view and waterfront. The rate tables and gross income multiplier tables are included later in this report.

The retirement homes with separate nursing homes were also valued by the direct capitalization approach or a combination of income for retirement apartment units and cost approach for nursing home square footage.

### **Income approach calibration**

The models were calibrated after setting the base rents by using adjustments based on effective age, size, location and quality as recorded in the Assessor's records.

### ***Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.***

The specialty appraiser for correctness individually reviewed all parcels before the final value was selected.

## **Model Validation**

### ***Total Value Conclusions, Recommendations and Validation:***

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

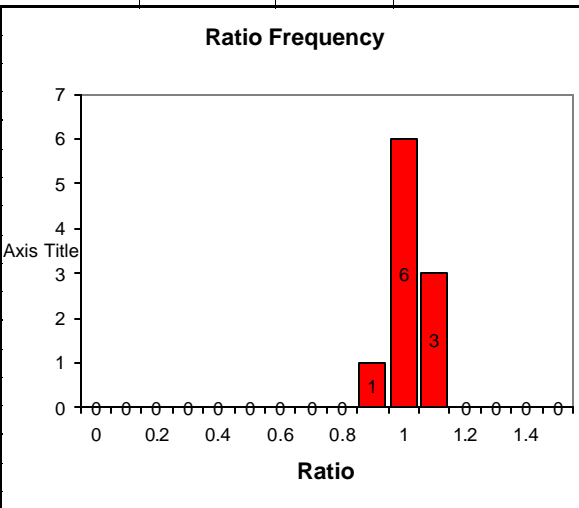
The total assessed value for the 2001 assessment year for the Hospitals and Senior housing was \$2,548,247,588. The total recommended assessed value for the 2002 assessment year is \$2,640,051,200. New construction for the 2002 assessment year was \$5,200,800.

Application of the recommended values for the 2002 assessment year (taxes payable in 2003) results in an average total change from the 2001 assessments of +3.60%. This increase is due mainly toward the new construction at several locations. Without the new construction the average total change would be +0.88%.

### 2001 Improved Parcel Ratio Analysis

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:										
North Crew	1/1/2001	3/31/2002	1/1/99 - 03/31/02										
Area 153/174/415	Appr ID:	Prop Type:	Trend used?: Y / N										
Retirement,Nursing,Hosp	SSHA	Improvement	N										
SAMPLE STATISTICS													
Sample size (n)	10	<div>Ratio Frequency</div> <table><thead><tr><th>Ratio</th><th>Frequency</th></tr></thead><tbody><tr><td>0.8</td><td>1</td></tr><tr><td>0.9</td><td>1</td></tr><tr><td>1.0</td><td>6</td></tr><tr><td>1.1</td><td>2</td></tr></tbody></table>		Ratio	Frequency	0.8	1	0.9	1	1.0	6	1.1	2
Ratio	Frequency												
0.8	1												
0.9	1												
1.0	6												
1.1	2												
Mean Assessed Value	5,271,200												
Mean Sales Price	5,476,200												
Standard Deviation AV	2,951,478												
Standard Deviation SP	2,837,026												
ASSESSMENT LEVEL													
Arithmetic mean ratio	0.938												
Median Ratio	0.958												
Weighted Mean Ratio	0.963												
UNIFORMITY													
Lowest ratio	0.7185												
Highest ratio:	1.0468												
Coefficient of Dispersion	6.38%												
Standard Deviation	0.0991												
Coefficient of Variation	10.56%												
Price-related Differential	0.97												
RELIABILITY													
95% Confidence: Median		<div>These figures reflect the 2001 assessment level compared to current market sales.</div>											
Lower limit	0.818												
Upper limit	1.035												
95% Confidence: Mean													
Lower limit	0.877												
Upper limit	1.000												
SAMPLE SIZE EVALUATION													
N (population size)	94												
B (acceptable error - in decimal)	0.05												
S (estimated from this sample)	0.0991												
Recommended minimum:	14												
Actual sample size:	10												
Conclusion:	Uh-oh												
NORMALITY													
Binomial Test													
# ratios below mean:	2												
# ratios above mean:	8												
z:	1.58113883												
Conclusion:	Normal*												
*i.e., no evidence of non-normality													

## 2002 Improved Parcel Ratio Analysis

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
North Crew	1/1/2001	3/31/2002	12/1/98 - 03/31/02
Area	Appr ID:	Prop Type:	Trend used?: Y / N
153,415,174	SSHA	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	10	<div>Ratio Frequency</div>  <p>Axis Title</p> <p>Ratio</p> <p>These figures reflect the 2002 assessment level campared to current market sales.....</p>	
Mean Assessed Value	5,435,800		
Mean Sales Price	5,476,200		
Standard Deviation AV	2,954,953		
Standard Deviation SP	2,837,026		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.975		
Median Ratio	0.971		
Weighted Mean Ratio	0.993		
UNIFORMITY			
Lowest ratio	0.8355		
Highest ratio:	1.0572		
Coeffient of Dispersion	3.71%		
Standard Deviation	0.0590		
Coefficient of Variation	6.05%		
Price-related Differential	0.98		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.961		
Upper limit	1.024		
95% Confidence: Mean			
Lower limit	0.938		
Upper limit	1.012		
SAMPLE SIZE EVALUATION			
N (population size)	427		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.0590		
Recommended minimum:	6		
Actual sample size:	10		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	6		
# ratios above mean:	4		
z:	0.316227766		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

***Nursing Retirement Homes Improved Sales Used***

<b>Area</b>	<b>Nbhd</b>	<b>Major</b>	<b>Minor</b>	<b>Total NRA</b>	<b>E #</b>	<b>Sale Price</b>	<b>Sale Date</b>	<b>SP / NRA</b>	<b>Property Name</b>	<b>Zone</b>	<b>Par. Ct.</b>	<b>Ver. Code</b>	<b>Remarks</b>
174	020	082104	9088	60,272	1676041	\$6,179,119	03/26/99	\$102.52	EVERGREEN LODGE/WOODWAY	BC	1	2	
153	000	082505	9030	47,482	1659337	\$6,775,000	12/29/98	\$142.69	KIRKLAND LODGE	RM3.6	1	2	
174	010	092204	9061	26,340	1776250	\$500,000	09/11/00	\$18.98	TEARDOWN	RM9	1	2	
153	000	282505	9061	53,744	1859904	\$6,859,293	12/28/01	\$127.63	WASHINGTON COURT	R-20	1	2	
153	000	312304	9001	59,195	1764735	\$7,700,000	06/22/00	\$130.08	FERNWOOD AT THE PARK	RM2400	1	2	
174	010	342406	9152	52,647	1724506	\$7,300,000	11/30/99	\$138.66	ISSAQUAH CARE CENTER	MFH	1	2	
153	000	352890	0745	81,598	1671485	\$9,492,300	02/08/99	\$116.33	SUNRISE AT QUEEN ANNE	L3	1	2	
174	010	407780	0532	22,584	1839660	\$3,026,000	08/31/01	\$133.99	THE MEADOWBROOK	SF7.2	1	2	
174	010	600350	0740	15,555	1676994	\$1,618,500	03/23/99	\$104.05	JACOBSON HOUSE	L3	2	2	
174	020	884430	0040	48,984	1726217	\$5,060,000	02/15/00	\$103.30	HEARTHSIDE OF ISSAQUAH	RDISK	1	2	

# USPAP Compliance

## **Client and Intended Use of the Appraisal:**

*This summary mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a summary mass appraisal report as stated in USPAP SR 6-7. To fully understand this report the reader may need to refer to the Assessor's Property Record Cards, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.*

*The purpose of this report is to explain and document the methods, data and analysis used in revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The revaluation is subject to their periodic review.*

## **Definition and date of value estimate:**

### **Market Value**

*The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65) . . . or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)*

### **Highest and Best Use**

WAC 458-12-330      **REAL PROPERTY VALUATION—HIGHEST AND BEST USE.**

*All property, unless otherwise provided by statute, shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Uses which are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in estimating the highest and best use.*

*If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property*

*chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))*

*Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)*

### **Date of Value Estimate**

*All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]*

*The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]*

*Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.*

### **Property rights appraised:**

#### **Fee Simple**

*The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*

#### **Special assumptions and limiting conditions:**

*That no opinion as to title is rendered. Data on ownership and the legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions unless shown on the maps or property record cards. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*

*That no engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*

*That rental areas herein discussed have been calculated in accord with standards developed by the American Standards Association as included in Real Estate Appraisal Terminology.*



*That the projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors, and a continued stable economy. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.*

*That no responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*

*That the appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in our analysis to any potential diminution in value should such hazardous materials be found. We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.*

*That no opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.*

*That maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*

*Exterior inspections were made of all properties however, due to lack of access few received interior inspections.*

*The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*

*We appraise fee simple interest in every property. Unless shown on the Assessor's parcel maps, we do not consider easements as adversely affecting property value.*

*We have attempted to segregate personal property from the real estate in our appraisals.*

*We have not appraised movable equipment or fixtures as part of the real estate. We have appraised identifiable permanently fixed equipment with the real estate in accordance with RCW 84.04.090 and WAC 458-12-010.*

*We have considered the effect of value of those anticipated public and private improvements of which we have common knowledge. We can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.*

*The appraisers have no personal interest or bias toward any properties that they appraise.*

### **Departure Provisions:**

***Which if any USPAP Standards Rules were departed from or exempted by the Jurisdictional Exception***

***SR 6-2 (g)***

The assessor has no access to title reports and other documents. Because of budget limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts,

declarations and special assessments. The mass appraisal must be completed in the time limits as indicated in the Revaluation Plan and as budgeted.